OMG Holdings Pte Ltd v Pos Ad Sdn Bhd
[2012] SGCA 36

Case Number	: Civil Appeal No 152 of 2011
Decision Date	: 20 July 2012
Tribunal/Court	: Court of Appeal
Coram	: Chao Hick Tin JA; Andrew Phang Boon Leong JA; Belinda Ang Saw Ean J
Counsel Name(s)	: Pradeep Pillai and Debby Lim (Shook Lin & Bok LLP) for the appellant; Daniel Koh and Nadia Binte Ibrahim (Eldan Law LLP) for the respondent.
Parties	: OMG Holdings Pte Ltd v Pos Ad Sdn Bhd

Civil Procedure – Pleadings

Restitution – Unjust enrichment

Limitation of Actions – Particular causes of action – Restitution

[LawNet Editorial Note: The decision from which this appeal arose is reported at [2011] SGHC 246.]

20 July 2012

Chao Hick Tin JA (delivering the grounds of decision of the court):

Introduction

1 By an action in the High Court, OMG Holdings Pte Ltd ("the appellant") sued Pos Ad Sdn Bhd ("the respondent") for arrears of royalty payments pursuant to a sub-licensing agreement. The trial judge ("the Judge") held, *inter alia*, first, that the appellant should not be allowed to retain the royalties collected during the period between 22 April 1999 and 1 July 2002 as it did not then have any rights to sub-license; and, second, that cl 9.3 of an agreement dated 1 July 2004 between the parties ("the 2004 Agreement") was in restraint of trade (see *OMG Holdings Pte Ltd v Pos Ad Sdn Bhd* [2011] SGHC 246 ("the Judgment")). The appellant appealed against the aforementioned rulings.

2 After hearing the submissions of both parties, we allowed the appeal only in relation to the issue of royalties collected during the period between 22 April 1999 and 1 July 2002. We now give our reasons.

Facts

Parties to the dispute

3 The appellant is a Singapore incorporated company that provides in-store advertising programs and products. The appellant was the licensor of a system known as the ActMedia system ("the Licensed System") for Singapore, Indonesia, Philippines, Thailand, Malaysia and Hong Kong. The appellant had acquired the exclusive right to use the Licensed System within the aforementioned countries through a master licence agreement ("the Master Licence Agreement") which it had entered into with ActMedia Canada Inc (a Canadian company which developed the Licensed System) on 30 June 1993. In return, the appellant paid ActMedia Canada Inc a royalty fee every quarter for this

licence.

4 The respondent is a Malaysian incorporated company which provides advertising media services to various brand owners for the marketing of their products in supermarkets across Malaysia. The appellant sub-licensed its right to the exclusive use of the Licensed System to the respondent pursuant to a sub-licence agreement dated 1 July 1993 ("the 1993 Agreement").

Background to the dispute

5 The Master Licence Agreement between the appellant and ActMedia Canada Inc was terminated on 22 April 1999. Consequently, on 28 June 2000, the appellant and the respondent entered into a Surrender of Licence Agreement ("the Surrender Agreement") which provided that the 1993 Agreement was surrendered (effective 22 April 1999) following the termination of the Master Licence Agreement between ActMedia Canada Inc and the appellant. The 1993 Agreement was later replaced with another agreement dated 1 July 2002 ("the 2002 Agreement"); this agreement was varied twice by two addenda signed by the parties on 13 May 2003 and 28 January 2004 respectively. During the period between the termination of the Master Licence Agreement (which led to the execution of the Surrender Agreement) and the entry into the 2002 Agreement (*ie*, between 22 April 1999 and 1 July 2002; hereinafter referred to as the "interim period"), the appellant continued to license the respondent to use the Licensed System and the respondent continued to make royalty payments to the appellant in accordance with the rates provided in the 1993 Agreement.

6 Upon the expiry of the 2002 Agreement on 30 June 2004, the parties entered into the 2004 Agreement. Under the 2004 Agreement, the respondent was to pay to the appellant royalties amounting to 7% of the former's gross revenue generated from use of the Licensed System and associated products. Of especial relevance is cl 9.3 of the 2004 Agreement, which stated:

> Upon the termination of this Agreement, the Licensee shall return to the Licensor copies of all manuals or similar written materials regarding the Licensed System furnished to the Licensee hereunder. Upon any such termination, the Licensee shall retain no rights to the Licensed System o r any part thereof, all such rights having been deemed to have been surrendered to the Licensor. *For the avoidance of doubt, the Licensee hereby agrees that upon termination of this Agreement, it will refrain from making use of the Licensed System, or any part thereof, or anything resembling or similar to the said system.*
>
> [emphasis added]

7 The "Licensed System" was defined in Recital 2 of the 2004 Agreement as:

> the Name, Licensed Marks and Licensed Products.

8 "Licensed Marks" was defined in Recital 1 of the 2004 Agreement as "various logos and intellectual property". The "Name" was not defined. "Licensed Products" was defined at Schedule A to the 2004 Agreement as including the following:

1. SHELFVISION TAKE-ONE

2. SHELF VISION

3. INSTANT COUPON MACHINE

4. SHELF TELEVISION (PRIME CHANNEL)

5. PRIME VISION

6. INFO VISION

7. FREEZER VISION

8. TROLLEY/CARTVISION

9. SHELF BANNER

10. ANY ACTMEDIA PRODUCT APPLICATION RELATING TO THE 5 SENSES

11. ANY NEW PRODUCTS THAT IS [*SIC*] DEVELOPED BY THE LICENSOR DURING THE TERMS OF THIS AGREEMENT

9 The appellant provided the following particulars of the Licensed System and Licensed Products (at paras 8A.i-8A.v of the Statement of Claim (Amendment No 2)):

i. The innovative concept of using the "5 senses" in relation to in-store advertising.

ii. The knowledge, methodology and know-how for in-store advertising and sales strategies and in implementing the Licensed Products to achieve maximum benefit for marketers and retailers;

iii. Services to train and support the Plaintiffs' licensees with techniques and with new Licensed Products developed by the Plaintiffs from time to time during the term of [the 2004 Agreement]; and

iv. Services to engage retailers and/or marketers, on behalf or in tandem with the Plaintiffs' licensees.

v. The use of distinctive shelf-mounting brackets and other shelf-mounting brackets perpendicularly holding a mounted advertisement boarding that engages 1 or more of a consumer's senses brand-framed electronic LCD/TV advertisements displays, shelf-mounted sample dispensers, trolley mounted advertisements, and other customized materials supplied in connection with [the 2004 Agreement].

10 The appellant terminated the 2004 Agreement on 3 March 2009 on account of the respondent's failure to pay RM 967,753.45 in royalties (as at 31 December 2008).

Pleadings

11 The appellant initiated legal proceedings against the respondent for (a) arrears of outstanding royalty payments for the period between December 2007 and December 2008 under the 2004 Agreement, which as at 31 December 2008 amounted to RM 967,753.45; (b) an account of all revenue received and profit generated from the respondent's breach of cl 9.3 of the 2004 Agreement; (c) an injunction to restrain the respondent's use of the products/copies of the products pertaining to the 2004 Agreement; and (d) inverse passing off.

12 In response, the respondent counterclaimed for (a) damages for fraudulent misrepresentation

and rescission of the 2004 Agreement, alleging that the appellant had made various pre-contractual misrepresentations in relation to the agreements signed in 1993, 2002 and 2004; (b) return of the royalties paid from 2003 to 2007 on the basis that, first, the 2004 Agreement was wrongfully terminated and the appellant had failed to inform it that the Master Licence Agreement had been terminated on 22 April 1999, and, second, that the Surrender Agreement was erroneously prepared and imprecise; and (c) a declaration that cl 9.3 of the 2004 Agreement constituted an unreasonable restraint of trade and was therefore invalid.

13 The appellant pleaded the following in the Statement of Claim (Amendment No 2) in relation to the issues on appeal:

(a) that it has "significant goodwill in the Licensed Products and Licensed System … in Asia which are used in the in-store marketing of consumer package goods in supermarkets, hypermarkets, personal care stores and mass-merchandisers more particularly described in Schedule A of [the 2004 Agreement]. The Licensed Products and [the Licensed System] have been in use in Asia and currently in use in *inter alia* Singapore, Malaysia, Thailand, Phillipines, Hong Kong and Taiwan"; and

(b) that the respondent expressly acknowledged the above in the 2004 Agreement.

14 The respondent pleaded the following in its Defence and Counterclaim (Amendment No 2) in relation to the issues on appeal:

(a) it denied that the appellant has goodwill in the Licensed Products and Licensed System; and

(b) it asserted that cl 9.3 of the 2004 Agreement is unlawful in its operation as an unreasonable restraint of trade, in particular:

(i) the phrase "anything resembling or similar to the said system" constitutes an unreasonable restraint of trade, restricting the respondent's freedom to make use of any other products resembling or similar to the Licensed System upon termination of the 2004 Agreement; and

(ii) cl 9.3 exists in perpetuity and on a worldwide basis.

Decision below

15 The Judge allowed the appellant's claim in relation to the royalty payments outstanding up to 3 March 2009 (but *not* for royalties accrued post-termination for the period between 3 March 2009 and 3 May 2009), which amounted to RM 1,161,253.45. However, the Judge found that the plaintiff did not have any rights to the Licensed System which it could sub-license during the interim period. It was undisputed that a total of RM 840,236.49 was paid by the respondent to the appellant during the interim period (applying the same rates of payment as provided under the 1993 Agreement). Consequently, the Judge ordered the appellant to return to the respondent the royalties paid during the interim period. Accordingly, the respondent was ordered to pay to the appellant a total of RM 321,016.96.

16 The remainder of the appellant's claim and the respondent's counterclaim was dismissed.

Issues before the court

17 In these grounds we intend to address only the issue of the Judge's ruling that the royalties paid during the interim period should be returned by the appellant to the respondent. The other ground of appeal raised by the appellant (*ie*, that the Judge erred in finding that cl 9.3 of the 2004 Agreement was in restraint of trade) was without merit. We agreed with the reasoning of the Judge that the ambit of cl 9.3 was "simply too wide to be reasonable" (see [25]–[29] of the Judgment) and this ground of the appeal was accordingly dismissed. We do not propose to say anything more on it.

Analysis

Was the Judge entitled to rule on the issue of the royalties paid during the interim period?

Applicable law

18 Pleadings are meant to "narrow the parties to definite issues" (*Thorp v Holdsworth* (1876) 3 Ch. D 637 at 639, per Jessel MR). It is trite law that the court may permit an unpleaded point to be raised if no injustice or irreparable prejudice (that cannot be compensated by costs) will be occasioned to the other party (see *Lu Bang Song v Teambuild Construction Pte Ltd and Another and Another Appeal* [2009] SGHC 49 ("*Lu Bang Song*") at [17] and *Boustead Trading (1985) Sdn Bhd v Arab-Malaysian Merchant Bank* [1995] 3 MLJ 331 ("*Boustead Trading*") at 341–342). In the same vein, evidence given at trial can, where appropriate, overcome defects in the pleadings provided that the other party is not taken by surprise or irreparably prejudiced (see *Lu Bang Song* at [17]).

19 In *Lu Bang Song*, a case involving personal injuries which arose out of an industrial accident, the plaintiff's pleaded case was that insufficient workers were assigned to assist him in discharging pre-mixed concrete from a metal bucket at the site where he was carrying out works. The district judge based his decision on additional grounds which did not form part of the plaintiff's pleaded case, *viz*, *inter alia*, that the plaintiff's co-workers assigned by the employers were in dereliction of their duties and that the employers were thereby vicariously liable for those workers' failure. Crucially, no questions relating to the aforesaid grounds were put to the employers' witnesses in cross-examination. The High Court found that, on the whole, the employers were not given an opportunity to respond to these unpleaded grounds which were accepted by the district judge in coming to his decision. Although the High Court there also found that the pleadings were poorly drafted, it held that this did not entitle the district judge to decide the case on the basis of an issue that was not canvassed before him.

20 Earlier, views along similar veins were expressed in *MFH Marine Pte Ltd v Asmoniah bin Mohamad* [2000] 2 SLR(R) 532, where the High Court acknowledged at [14] that while the district judge in that case was motivated by a desire not to allow poorly drafted pleadings to deprive a party of his rights, this had to be balanced:

> against the requirement in our system of justice that issues for determination by the court should be carefully framed and all parties should have the opportunity to address the court on those issues before the court adjudicates thereon.

21 The court then quoted the following pithy statement made by Sharma J in *Janagi v Ong Boon Kiat* [1971] 2 MLJ 196:

> ...*The court is not entitled to decide a suit on a matter on which no issue has been raised by the parties. It is not the duty of the court to make out a case for one of the parties when the party concerned does not raise or wish to raise the point.* In disposing of a suit or matter involving a disputed question of fact it is not proper for the court to displace the case made by a

party in its pleadings and give effect to an entirely new case which the party had not made out in its own pleadings. The trial of a suit should be confined to the plea on which the parties are at variance.

[emphasis added]

Application of law to facts

22 The Judge effectively set off the royalties paid by the respondent to the appellant during the interim period against the royalty payments outstanding up to 3 March 2009 in assessing the overall amount of royalties payable by the respondent to the appellant (*viz*, the appellant's claim for arrears of royalty payments). He found at [86] of the Judgment that:

... there was a period between the termination of the Master Licence Agreement on 22 April 1999 and the commencement of the 2002 Agreement on 1 July 2002 during which the Plaintiff did not have any rights which it could sub-license to the Defendant. It follows that the Plaintiff should not be allowed to collect royalties for that period. …

23 No further explanation was provided as to why only the royalties paid during the interim period was not payable by the respondent to the appellant and ought to be refunded. However, on appeal, the parties inexplicably chose to submit their arguments on the basis that the Judge's decision was based on a finding that there was no contract between the parties during the interim period. The respondent made the argument that the payments were effected under a mistake as to its own legal obligations. Contrary to the position taken by the respondent, the appellant argued that there was an informal, unwritten licence agreement, relying, *inter alia*, on the evidence of Mr Robert Mebruer (PW4) that, despite the surrender of the 1993 Agreement, the parties had "proceeded in good faith on the terms of the 1993 Agreement", [note: 1] although Mr Mebruer acknowledged that no formal written agreement was made between the parties until 2002.

24 The appellant further averred that the Judge was not entitled to make an order for the recovery of royalties paid during the interim period as it was not part of either party's pleaded case. Moreover, this was not a case where no injustice or irreparable prejudice would be suffered by the appellant if such an unpleaded claim were to be allowed (see *Boustead Trading* at 341–342). While the appellant acknowledged that, during cross-examination, the respondent's counsel and Mr Mebruer had discussed the question of royalties paid during the interim period and the Judge had similarly posed questions to Mr Mebruer on this issue, the appellant contended that the questions posed to Mr Mebruer were based on pleadings and were not *related* to a claim for repayment of royalties paid during the interim period. Accordingly, the appellant argued that the evidence given at trial could not overcome the defects in pleadings and that the respondent should have applied to amend its pleadings to include a claim in restitution. Finally, the appellant asserted that it was prejudiced by (a) the respondent's failure to amend the latter's pleadings and (b) the corresponding orders made by the Judge, as it could not reasonably have expected that the respondent would be claiming the refund of the royalties paid during the interim period, or that the Judge was considering a case regarding the same.

25 Conversely, the respondent argued that the instant issue arose in the course of the respondent's pursuit of its counterclaims against the appellant for misrepresentation and that the fact that the appellant did not have any rights to sub-license during the interim period was a "mere variation to, or development of, what it had averred in its pleadings" [note: 2] (citing from *John G Stein & Co Ltd v O'Hanlon* [1965] AC 890 ("*John G Stein & Co Ltd*") at 909). The respondent also pointed out that the appellant did not object during the trial when Mr Mebruer was directly cross-examined on

this matter [note: 3] and similarly when Mr Chew Keng Yong (DW1) was also cross-examined on this matter. The respondent further argued that both parties had the opportunity to raise objections or submit on this issue and highlighted the fact that its own Closing Submissions (which technically did not constitute pleadings) contained the following heading at para 14(a)(ii):

> 1999 – A determination of what rights the Plaintiff purportedly had and royalties to be paid by the Defendant to the Plaintiff in [*sic*] light of the termination of the Master Licence Agreement between the Plaintiff and ActMedia Canada.

26 The respondent also pointed out that the appellant acknowledged the aforementioned paragraph in its Reply to the Defendant's Closing Submissions although its reply (or rather, its decision not to reply) was as follows:

> [the appellant] intends to be concise on issues which they believe are irrelevant and ... [the appellant shall] concentrate on the truly pertinent issues.

Our views

27 To our mind, the facts as pleaded by the parties did not cover – and in any case, could not be viewed as having been in contemplation of – the specific issue of the refund of the amount of royalties paid by the respondent during the interim period. It could not have reasonably occurred to the appellant that if the respondent should fail in its counterclaim based on the general ground of misrepresentation, the respondent would be asking, in the alternative, for a refund of the royalties paid during the interim period based on the fact that there was no written agreement in existence between the parties for that period. If this alternative basis of claim had been properly pleaded (and it would have probably been a claim in restitution), it would not have been difficult for the appellant to plead an implied contract or a contract by conduct. The basic position of the respondent at the trial was that the appellant had fraudulently concealed the termination of the Master Licence Agreement with ActMedia Canada Inc and that the appellant had wrongfully held themselves out as having the rights under the Master Licence Agreement to sub-license the Licensed System to the respondent. The issue of royalties paid during the interim period was only very briefly and tangentially touched on during the trial (if it was even addressed at all). What was really canvassed during the trial was the question of the outstanding amount owed to the appellant, not whether royalties already paid to the appellant should be returned to the respondent. In fact, neither party explicitly or impliedly mentioned the refund of royalty payments made during the interim period and no arguments were made in that regard. Accordingly, we did not think that the Judge's ruling could be described as a "variation, modification or development of what [was] averred" (*John G Stein & Co Ltd* at 909) in the pleadings and the trial itself.

28 Undoubtedly, the prejudice to the appellant in this case was obvious. The direct prejudice to the appellant was that it was ordered to return the royalties paid during the interim period when that was not a part of the respondent's counterclaim. This determination took the appellant completely by surprise.

No other grounds available to justify the Judge's order

29 For completeness, we will hereafter discuss briefly whether there could be other grounds upon which to justify the Judge's order in relation to the royalties received by the appellant during the interim period.

30 On the facts, there appears to have been some sort of arrangement between the parties during

the interim period. This is evident from the respondent's conduct. In particular, the respondent continued to make royalty payments after the Surrender Agreement was signed in 2000 (*ie*, during the interim period), despite being fully aware that the Master Licence Agreement had been terminated. In fact, the Judge made a specific finding (and justifiably so) that the respondent knew that the Master Licence Agreement had been terminated; he found Mr Chew Keng Yong's testimony to be contradictory and inconsistent and relied on the fact that Recital B of the Surrender Agreement explicitly stated that:

> Due to the termination of the Head Licence Agreement [*ie*, the Master Licence Agreement] between the Licensor and the Head Licensor, the Licensor has no alternative but to terminate the sub-licence agreement as described in the preceding recital.

31 Moreover, cl 1.1 of the Surrender Agreement also stated that neither party would be entitled to claim against the other as a result of the surrender. The respondent's willingness to continue making royalty payments suggests that there was some sort of arrangement between the parties. The appellant submitted that the respondent was willing to enter into an arrangement with the appellant and pay the royalties notwithstanding that the latter had no rights to sub-license because (a) it desired "the continuation of relationship" and preferred to purchase the appellant's cheaper products instead of purchasing the Licensed System and products directly from ActMedia Canada Inc and (b) it wished to maintain its near-monopoly status in the Malaysian market and was, in any event, prepared to take the risk of mistaken obligation. This could be gleaned from Mr Chew Keng Yong's testimony as he explicitly acknowledged the respondent's constant desire for a continuation of the licensing relationship: [note: 4]

> Q: Remember a few minutes ago we talked about the July 1993 agreement? *The first agreement, 1st July 1993***.**
>
> A: Yes.
>
> Q: It was valid for 3 years and then there's an automatic extension for 10 years. And it would have taken you to 2006, correct?
>
> A: (No audible answer)
>
> Q: Now, if that agreement was going to take you to 2006, why was there a need to sign a 2002 agreement?
>
> A: As I've said, there was lot of discussion going on...between [the respondent] and [the appellant] about what was going on between ActMedia and them. And, er, like I said, we were doing very well, we were best of friends and, er, there was a---a lot of talk about a lot of things
>
> ...
>
> *And I---if I kept up with the license, I will effectively keep ActMedia out of Malaysia because if I turn then---if we stop the relationship, naturally they will come and, you know, at some point in the future will come to Malaysia to compete with us.* So because of the continuation of relationship we had a sort of a monopoly in Malaysia and that was a very comfortable position.
>
> [emphasis added]

Similarly, at a later part of his cross-examination, Mr Chew said: [note: 5]

> Q: Now, Mr Chew, you paid---your company paid 8.6 million ringgit in royalties over the space from 1993 to 2009. That's quite a lot of money. In addition, you paid for hardware, correct? So you want the Court to believe that you paid 8.6 million ringgit in royalties just for the right to use the hardware and the names, correct?
>
> A: Yes.
>
> Q: Now, why couldn't you just go and manufacture your own hardware and pay for it? Why must you come to [the appellant]? You could have gone to---like you have now---there's some evidence that you---you went to, I think, China. There were some air tickets that peo---
>
> A: Yes.
>
> ...
>
> Q: Why couldn't you just go in 1993, 1994, paid for somebody to produce these clamps or these products? *Why did you need to enter into agreement with my clients and pay 8.6 million ringgit of royalties?*
>
> A: Well, your Honour, for---since the very beginning, er, of the relationship, we have had, erm, been good friends with [the appellant] ... and, er, *I was very keen to keep the status quo because if I continued the relationship, er, ActMedia would stay out of Malaysia and I will have a near monopoly in the---in the territory.* So that was, er, more than worthwile to pay the 5% and subsequently, the 7% because the profit margin at the top was pretty good.
>
> [emphasis added]

32 That said, however, there is evidence which suggests that there was no formal contract. Mr Mebruer confirmed during cross-examination that although he remembered talking to the lawyer advising the appellant then about "implied agreements", "there was no agreement in place" during the interim period (see [23] above). [note: 6] Obviously, in this response, Mr Mebruer must have meant that there was no *written agreement* in place, as opposed to there being no arrangement or understanding at all.

33 The respondent also made other arguments in this regard but they were all plagued by the same flaw: they do not necessarily support the contention that there was no arrangement or understanding between the parties during the interim period.

34 The first argument put forth by the respondent was that the appellant "acted in breach" of its settlement agreement of 2006 with ActMedia Canada Inc in "continuing to sub-license certain ActMedia Products" [note: 7] to the respondent following the termination of the Master Licence Agreement. The respondent argued that "apart from a few minor changes", [note: 8] the appellant's product was identical to that marketed by ActMedia Canada Inc. However, this acknowledgement that there was an arrangement to "sub-license" in fact fortifies the appellant's case that there was some contractual arrangement between the appellant and the respondent. Even if by entering into the contractual arrangement with the respondent the appellant was acting in breach of its contract with ActMedia Canada Inc, this did not mean that, first, there was no contract between the appellant and the respondent, and, second, a sub-licensing contract between the appellant and the respondent

was not enforceable.

35 The second argument related to the *nemo dat non quod habet* principle and the respondent accordingly argued that the appellant should not be allowed to retain the royalties. The respondent averred that this principle has been applied to personal property and in particular to debts, copyright and goodwill, citing Michael Bridge, *Personal Property Law* (Oxford University Press, 2002) ("Michael Bridge"). For accuracy, it should be stated that despite the cited proposition from Michael Bridge, it is unclear if licensing rights are proprietary in nature (and therefore constituting "personal property" and attracting the application of the *nemo dat* principle) or merely personal rights that may be assigned. In any case, the respondent's arguments were confused and without merit. It is trite law that A may contract to sell B something that A does not presently have – if B has fulfilled his part of the bargain and A has not, the remedy available to B is for him to sue A for breach of contract. Accordingly, applying that example to this case, it is plainly obvious that if there was such a contract to sub-license during the interim period, the respondent's remedy would be to sue the appellant for breach of contract if the respondent had been unable or was prevented by ActMedia Canada Inc from using the Licensed System or the products supplied by the appellant. The respondent did use the Licensed System during the interim period and was not prevented from doing so by ActMedia Canada Inc. By the time this suit came up for trial before the High Court, any rights which ActMedia Canada Inc had against the respondent would have been time-barred. The appellant had fulfilled its part of the bargain. Indeed, it also seems to us that the position of the parties during the interim period could not really be any different from that after the parties had signed the 2002 Agreement. The only difference between the two situations is that for the interim period there was only an oral or implied contract, whereas for the subsequent period there was a formal written agreement. If, as the Judge had found, the appellant was entitled to the royalty payments for the period from 2002, the same should follow for the interim period. It is clear from the evidence of Mr Chew Keng Yong (see [31] above) that the respondent was aware that the appellant was then in consultation with ActMedia Canada Inc as to the arrangement between the latter two parties. This could be the explanation why ActMedia Canada Inc did not take any action against the respondent.

36 The third point raised by the respondent (which is related to the second) was that it paid royalties during the interim period for "exclusive rights" and as the appellant did not have any rights (let alone exclusive rights) to sub-license, it was entitled to recover the royalties paid. Again, this argument did not suggest that there was no contract between the appellant and the respondent during the interim period. For the reasons already given above, this point was without merit.

37 In the result, quite apart from the issue pertaining to the pleadings, we would have, on the evidence, no difficulties in concluding, especially in the light of the Surrender Agreement and the conduct of the parties then, that there was an informal or implied agreement between the parties during the interim period implicitly along the lines of the 1993 Agreement, pursuant to which the respondent continued to pay royalties to the appellant. On the respondent's own evidence, it was prepared to make the royalty payments to the appellant in order to retain its near-monopoly status in the Malaysian market.

Restitutionary liability

38 Taking the argument one step further, and assuming that there was no implied agreement between the parties during the interim period, it seems to us that the only basis upon which the respondent could claim for a refund of the royalties paid during the interim period was restitution. However, this basis for refund was not raised by the parties at trial because, as mentioned at [27] above, a claim for refund of only the royalties paid during the interim period was not a part of the respondent's counterclaim. As such (and understandably so), the question of restitution was not

addressed by the Judge.

39 While there seems to be some controversy as to the legal basis upon which a claim in restitution may be made, it seems that the better view is that such a claim should be founded on the basis of unjust enrichment rather than implied contract (see *Sinclair v Brougham and Another* [1914] AC 398; *cf United Australia, Limited v Barclays Bank, Limited* [1941] AC 1, *Attorney-General v Nissan* [1970] AC 179 and *Owen v Tate and Another* [1976] 1 QB 402). Thus for the respondent to be able to establish unjust enrichment, it must show that permitting the appellant to retain the payments would be unjust.

40 There are also other difficulties standing in the way of the respondent's claim in restitution. We think it would suffice to mark out just two problems.

41 First, the claim could well be time-barred under s 6(1)(a) of the Limitation Act (Cap 163, 1996 Rev Ed) ("the Limitation Act") as the date the cause of action accrued (*ie*, the date of the last payment during the interim period) was certainly before 1 July 2002 (*ie*, the date the 2002 Agreement was signed). We used the expression "could well" because s 6(1)(a) only covers "actions founded on a contract or on tort". So the question is, does a claim in restitution based on unjust enrichment come within the ambit of s 6(1)(a) of the Limitation Act? Is such a claim a claim in contract or tort?

42 The Limitation Act was modelled after the English Limitation Act 1939 (c 21) (UK) ("the English Limitation Act 1939"). Although the English Limitation Act 1939 has since been repealed in its entirety and replaced by the Limitation Act 1980 (c 58) (UK) ("the English Limitation Act 1980"), the latter Act also does not expressly deal with unjust enrichment claims except for four narrow exceptions: (a) s 9 provides for restitutionary actions under the Law Reform (Frustrated Contracts) Act 1943 (c 40) (UK); (b) s 10(1) provides for contribution claims under the Civil Liability (Contribution) Act 1978 (c 47) (UK); (c) s 22(a) provides a twelve-year limitation period for personal or proprietary remedies claiming a share of a deceased's estate; and (d) s 21(3) provides for actions by a beneficiary to recover trust property or in respect of any breach of trust (as referenced in Andrew Burrows, *The Law of Restitution* (Oxford University Press, 3th ed, 2011) at pp 605–606). The Law Commission in England opined that the English Limitation Act 1980 could not be directly applied to the law of restitution founded on unjust enrichment (see The Law Commission, *Limitation of Actions: Item 2 of the Seventh Programme of Law Reform* (10 July 2001) LAW COM No 270 at para 1.9 (Chairman: The Honourable Mr Justice Carnwath CVO)) – a concern earlier voiced by Lord Goff of Chieveley in *Kleinwort Benson Ltd v Lincoln City Council* [1999] 2 AC 349 at 389.

43 However, the English courts appear to have given an extended meaning to s 2 of the English Limitation Act 1939 which governed limitation on actions in contract or in tort. We see this approach being taken in *Re Diplock* [1948] Ch 465 where Lord Greene MR held (at 514) that s 2 could be taken to "cover actions for money had and received, formerly actions on the case" though he recognised that the "words used cannot be regarded as felicitous". Similarly, in *Kleinwort Benson Ltd v Sandwell Borough Council* [1994] 4 All ER 890, Hobhouse J, having examined the Hansard, considered s 2 to be "sufficiently broad" to cover an action for money had and received. In this regard, he noted that the Solicitor General had stated during a debate on the English Limitation Act 1939 that the Law Revision Committee's *Fifth Interim Report: (Statutes of Limitation)* (Cmnd 5334, 1936) recommended that the period for all tort or simple contract actions (including quasi-contractual actions) should be six years.

44 It would therefore appear that in England, quasi-contractual claims will be barred after six years, subject to other provisions of the English Limitation Act 1980. In substance, the quasi-contractual claims subsumed under s 2 would typically include the bulk of what are in essence *restitutionary* claims: *eg*, recovery of money paid under a mistake of fact, duress or total failure of

consideration, in compulsory discharge of another's debt, or in pursuance of a void contract; and recovery of goods supplied or services rendered under ineffective or unenforceable transactions, or contracts that fail for want of certainty, authority, illegality or mistake (see HM McLean, "Limitation of Actions in Restitution" [1989] CLJ 472 at 476).

45 In Singapore, this problem seems to have been touched upon in *Management Corporation Strata Title No 473 v De Beers Jewellery Pte Ltd* [2002] 1 SLR(R) 418, where the Court of Appeal stated at [32] that "a claim in unjust enrichment which was neither grounded in contract nor tort, and in which equitable relief was not sought, did not fall within the scope of the [Limitation] Act". However, the court seemed to opine at [33] that the doctrine of laches applied to actions in unjust enrichment and two important factors in this regard were the length of the delay and the acts done during the time.

46 The Law Reform Committee of the Singapore Academy of Law, like the Law Commission in England, recommended in 2007 that the Limitation Act should be amended to include a new s 6(1)(e) which provides for a limitation period of six years for "actions founded on restitution including restitutionary claims". It declined to provide a definition for the term "restitutionary", stating that it would be preferable to leave this to the courts to interpret (see Law Reform Committee, Singapore Academy of Law, *Report of the Law Reform Committee on the Review of the Limitation Act (Cap 163)* (February 2007) at para 78 (Chairman: Charles Lim Aeng Cheng). The Law Reform Committee also suggested that a "long-stop period" of 12 years should apply with regard to actions in which relief is sought from the consequences of mistake, whether of law or of fact (*ibid* at para 85).

47 Second, in the circumstances of the present case, there would be considerable difficulty in regarding the retention of the royalties received by the appellant during the interim period as being unjust.

48 The respondent continued to make royalty payments despite being *fully aware* that the appellant did not have any rights to sub-license. It is unclear what was "unjust" about the appellant being enriched by the royalty payments when the respondent knew precisely that the appellant did not have any rights to sub-license; the respondent had its own motive to continue to make the payments and would probably have recourse against the appellant if ActMedia Canada Inc were to sue the respondent for the use of the Licensed System. Here we would also point out that the parties contracted to give up any claims against each other pertaining to the 1993 Agreement pursuant to cl 1.1 of the Surrender Agreement signed in 2000 (although this would only cover a portion of the payments made during the interim period). In any case, since the respondent willingly made the payments to the appellant in spite of the absence of a valid and enforceable agreement between them while being fully aware that the appellant did not have any rights to sub-license, it would not lie in the mouth of the respondent to complain that the consideration for its payment had failed (see *Thomas v Brown* (1876) 1 QBD 714). In the circumstances, it is also possible to infer that the respondent intended the appellant to have the benefit of the enrichment in all events and voluntarily assumed the risk of the vitiating factor occurring (see *Skandinaviska Enskilda Banken AB (Publ), Singapore Branch v Asia Pacific Breweries (Singapore) Pte Ltd and another and another appeal* [2011] 3 SLR 540). This is warranted by Mr Chew Keng Yong's response during cross-examination [note: 9] which is reproduced below:

> And I---if I kept up with the license, I will effectively keep ActMedia out of Malaysia because if I turn then---if we stop the relationship, naturally they will come and, you know, at some point in the future will come to Malaysia to compete with us.

Conclusion

49 In conclusion, we restate that having determined that the issue of royalties paid during the interim period was neither pleaded nor canvassed in the trial below, we found that the Judge was not entitled to order the appellant to return the royalties paid by the respondent during the interim period. In the circumstances, we allowed the appeal only in respect of the refund of royalties paid during the period between 22 April 1999 and 1 July 2002.

[note: 1] Record of Appeal, Vol III (H), p 112.

[note: 2] Respondent's Case, pp 21-22

[note: 3] Respondent's Case, pp 23–24.

[note: 4] Record of Appeal, Vol III (R), pp 122–123.

[note: 5] Record of Appeal, Vol III (R), pp 229-230.

[note: 6] Record of Appeal, Vol III (Q), p 130.

[note: 7] Respondent's Case, p 33.

[note: 8] Respondent's Case, p 40.

[note: 9] Record of Appeal, Vol III (R), pp 122–123.